



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION

861 SILVER LAKE BLVD.
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE:



(302) 736-7500

FAX:

(302) 739-4849

February 15, 2019

To: The Chairman and Members of the Commission

From: Shona Marshall, Public Utilities Analyst 
Dimitar Kozhuharov, Public Utilities Analyst 

Subject: IN THE MATTER OF THE PROVISION OF STANDARD OFFER SUPPLY TO
RETAIL CONSUMERS IN THE SERVICE TERRITORY OF DELMARVA
POWER & LIGHT COMPANY (FILED MARCH 22, 2018) – PSC Docket No.
18-0179

Application:

On March 22, 2018, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Commission revised electric tariffs reflecting new Standard Offer Service ("SOS") rates, its new Procurement Cost Adjustment (the "PCA"),¹ and its Reasonable Allowance for Retail Margin ("RARM"),² with an effective date of June 1, 2018, (the "2018 SOS-PCA-RARM Filing"). Delmarva also provided supporting work papers. According to the Company's calculations, not including the Qualified Fuel Cell Provider Project ("Bloom") or the Renewable Portfolio Standard Charge ("RPS Charge"), the monthly bill for a residential customer using 840 kWh on an annual average basis will decrease by approximately \$4.93 (or a decrease of 4.16 %).

¹ The PCA is a component of the "Full Requirements Cost" portion of both "fixed" and "hourly" priced SOS rates. It is designed to collect, or return, over the subsequent rate year any past period differences between the amounts billed to customers for fixed-price SOS (FP-SOS) and Hourly Priced services (HPS) and the amounts Delmarva actually paid to wholesale suppliers and PJM Interconnection to provide such full requirements for FP-SOS and HPS. The PCA is calculated by customer class, and any differences are also subject to an interest charge.

² When the Commission approved the settlement agreement in PSC Docket No. 04-391, the "Electric Utility Restructuring Act of 1999" directed Delmarva to include in its SOS rates a "reasonable allowance for retail margin to be determined by the Commission." See 26 Del. C. §1006(a) (2) (c), prior to 2006 amendments. With the "Electric Utility Supply Act of 2006" (i.e., House Bill No. 6), the General Assembly rewrote §1006 and, among other things, deleted the reference to "reasonable allowance for retail margin ("RARM"). While there is no longer any specific statutory requirement for SOS to include an RARM, the new §1007(c)(1)(a) from the Supply Act of 2006 cites the SOS "procurement process approved in PSC Docket No. 04-391" as comprising a portion of the SOS resource mix, which process includes collection of the RARM at this time.

Additionally, the Settlement Agreement approved by the Commission in PSC Docket No. 09-9³ (“RARM Settlement”) provides that where the change in the total RARM rate exceeds +/- 5.25%, the Company is required to submit a formal filing for review. According to the Company’s filing, the RARM rate for fixed price customers decreased by 19.61% from the RARM rate currently in effect. Therefore, the Company considers the RARM component to be a formal filing, and the RARM factor will decrease. The Company provided workpapers supporting the results of the RARM factor on an actual basis for the reporting year ended December 31, 2017 and estimated basis for the prospective rate period.

On April 24, 2018, the Commission issued Order No. 9205 which, among other things, placed the proposed rates into effect on June 1, 2018, on a temporary basis, with proration, subject to refund.

Staff’s Review:

Staff performed a review of the application and additional supporting documentation provided by the company for accuracy, completion, and compliance with prior Commission orders. Staff met with the Company in one workshop to review the 2018 SOS-PCA-RARM Filing and all related work papers and issued discovery to resolve any outstanding issues related to the filing. There were cooperative discussions on several issues. Staff reviewed all sections of the filing, and identified allocation errors in the RARM. Staff questioned the revenues received for the HPS customer class. Staff and Delmarva investigated and agreed that a reallocation of 2017 revenues would be an appropriate reflection of the HPS RARM revenues that should have been accounted for in the HPS Transmission PCA. The Company has agreed to several adjustments to the 2019 SOS-PCA-RARM filing. A \$63,015.63 credit adjustment (including \$941 of interest owed to ratepayers for the year 2017) will be added to the HPS Transmission PCA calculation (Exhibit C) for the 2018 true-up. An adjustment of \$62,074.63 will be added to the HPS RARM (Exhibit F) to offset this credit. Furthermore, the Company will apply a \$57,600 credit adjustment to the HPS RARM (Exhibit F) which will be accompanied by an offsetting adjustment in the amount of \$57,600 to the RARM Fixed Price (Exhibit F). The sum of the adjustments in the HPS RARM result in a net under-collection of \$4,474.63. Lastly, the Company has committed to \$12,993.18 in RARM interest adjustments, \$12,368 of which will be credited to the Fixed Price SOS customers, and \$625.18 will be charged to the HPS customers. Staff did not receive any comments on the 2018 SOS-PCA-RARM Filing. In all other aspects, Staff found the filing to be consistent with prior orders.

³ See PSC Order No. 7703, issued December 22, 2009.

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Staff's Recommendation:

Staff respectfully recommends that the Commission approve as final the rates that went into effect on a temporary basis on June 1, 2018, with proration, for the period from June 1, 2018, to May 31, 2019.